

Message Text

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TAGS: ETRD, EAGR, SP
SUBJECT: SOYBEAN SITUATION

REF: STATE 99451

1. ON APRIL 28, E/C COUNSELOR AND AGRICULTURAL ATTACHE CALLED ON MFA DIRECTOR GENERAL FOR INTERNATIONAL ECONOMIC AFFAIRS (GAMIR) TO URGE GOS RECONSIDERATION OF INTERNAL QUANTITATIVE CONSUMPTION RESTRICTION AND OTHER POLICIES THAT COULD DISRUPT IMPORTS OF U.S. SOYBEANS. EMBOFFS MADE ALL POINTS IN REFTEL, EMPHASIZING THAT RESTRICTION ON DOMESTIC CONSUMPTION OF OIL OBTAINED FROM IMPORTED SOYBEANS IS IN EFFECT A RESTRICTION ON IMPORTS OF SOYBEANS AND, AS SUCH, AN IMPAIRMENT OF OUR BINDING ON SOYBEANS FOR WHICH THE U.S. COMPENSATED SPAIN. WE NOTED THAT SINCE MATTER WAS DISCUSSED IN JANUARY 19 JOINT ECONOMIC COMMITTEE (JEC) MEETING, THE DOMESTIC CONSUMPTION QUOTA HAS IN FACT BEEN LOWERED FROM 170,000 MT TO 120,000 MT FOR 1977. EMBOFFS SAID THAT THE USG WOULD LIKE TO DISCUSS

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THE POSSIBILITY OF AN AGREED PHASE-OUT OF THE DOMESTIC SOY OIL QUOTA, AND THAT OUR OFFER ON OLIVES IN THE MTN WAS CONDITIONED TO A SATISFACTORY SOLUTION TO THE QUOTA PROBLEM.

2. GAMIR, WHO IS CO-CHAIRMAN OF THE JEC, RECALLED DISCUSSION OF THE SOYBEAN SITUATION AT THE JANUARY 19 MEETING.

HE THOUGHT THE GOS HAD EXPLAINED AT THAT TIME THAT PART II, ARTICLE III, OF THE GATT WAS NOT BINDING ON SOY OIL BECAUSE AT THE TIME OF SPANISH PROVISIONAL PROTOCOL IN 1963 SOYBEAN OIL WAS A STATE TRADED COMMODITY AND THEREFORE PART OF LONGSTANDING SPANISH INTERNAL POLICY ON FATS AND OILS. EMBOFFS RESPONDED BY STATING THAT, ACCORDING TO OUR INFORMATION, WHILE SOYBEAN OIL WAS INDEED A STATE TRADED COMMODITY THROUGHOUT 1963, IT WAS NOT SUBJECT TO QUANTITATIVE RESTRICTIONS BUT WAS FREELY MARKETED AT A MAXIMUM RETAIL PRICE UNDER A CIRCULAR INSTRUCTION PUBLISHED IN THE STATE GAZETTE NO. 103 OF APRIL 30, 1963.

3. AFTER BEING JOINED BY HIS DEPUTY DIRECTOR FOR MULTILATERAL ECONOMIC AFFAIRS (TOMAS CHAVARRI), GAMIR SAID HE WOULD UNDERTAKE TO RAISE SOYBEAN AND SOY OIL PROBLEM AGAIN WITH MINISTRIES OF AGRICULTURE AND COMMERCE. HE CAUTIONED, HOWEVER, THAT GIVEN THE WEIGHT OF OLIVE PRODUCTION IN THE SPANISH ECONOMY AND THE POLITICAL VOLATILITY OF ANY MATTER AFFECTING THIS IMPORTANT AGRICULTURAL SECTOR, HE IS NOT OPTIMISTIC THAT SPAIN COULD AGREE TO MODIFYING CONSUMPTION QUOTA SYSTEM. CHAVARRI ADDED THAT MINISTRY OF AGRICULTURE DID NOT SEEM INTERESTED IN PHASING-OUT QUOTA SYSTEM IN EXCHANGE FOR CONCESSIONS ON OLIVES IN THE MTN. CHAVARRI, WHO EXPECTS TO BE IN WASHINGTON DURING LATTER PART OF MAY TO DISCUSS NORTH/SOUTH ISSUES (SEPTTEL) WILL ALSO BE PREPARED FOR EXCHANGE LIMITED OFFICIAL USE

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OF VIEWS WITH U.S. OFFICIALS ON GATT ASPECTS OF SPANISH FATS AND OILS POLICY. STABLER

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